

REMARKS

Summary of the Office Action

Claims 1-6 are pending.

Claims 1-6 have been rejected under 35 U.S.C. § 103(a) as being obvious from Lange US 2002/0099640 (“Lange”).

Applicants’ Reply

Applicants respectfully traverse the prior art rejections of the claims.

Claim 1

Applicants’ invention related to “customizing” derivative securities in response to an investor’s desired risk-return value for an investment of a particular type.

The elements of applicant’s invention, according to claims 1, include:

“receiving from an investor data regarding a desired risk-return values and selection of at least one issuer of traded securities”;

“in response, structuring a customized security having at least one of said desired risk-return value and comprising a derivative security having at least one component related to said traded securities of said issuer and at least one other component;”

“pricing said customized security according to current market prices for said components;” and

“offering said customized security to said investor.”

In contrast to applicants' invention, Lange describes exotic "digital options" and a trading exchange for trading such digital options. (See e.g., Lange, Abstract).

Applicants respectfully submit that Lange neither describes nor suggests the elements of claim 1. Further, neither Lange nor the knowledge generally available to one of ordinary skill in the art provides any motivation or suggestion to modifying Lange toward applicants' invention. *In re Vaeck*, 947 F.2d 488, 20 USPQ2d 1438 (Fed. Cir. 1991).

As noted above Lange is directed toward "exotic securities" and "trading exchange thereof". (See Lange, Abstract and ¶¶ [00467] - [00474]). Applicants note that, in particular, Lange ¶¶ [00468]-[00470], which have been cited in the Office Action, relate to Lange's definition of "exotic derivatives" to mean specific complex options (e.g., barrier options and Asian options), and the complex tools required to trade, hedge and risk the exotic derivatives. The cited ¶¶ [00468]-[00470] do not describe or suggest "receiving data from an investor regarding desired risk-return values . . ." and "in response, structuring . . ., pricing . . ., and offering [a customized security to the investor]", as required by claim 1.

With respect to other portions of Lange, which have been cited in the Office Action, applicants further note that Lange ¶¶ [00471]-[00475] (page 35, col. 2 line 2), provide further examples of exotic derivatives and their hedging or trading (e.g., Example 3.1.17: Hedging Markets for Real Goods, Commodities and Services and Example 3.1.18: DBAR Hedging); Lange ¶ [00528] describes a payout distribution

scheme (i.e., trade closing or settlement scheme) for the exotic derivatives to replicate contingent claim payment schemes of traditional markets for “long positions in stocks, short positions in bonds, short options positions in foreign exchange, and long option straddle positions”; Lange ¶ [00536] gives an example of how an exotic derivative can replicate the profit and loss of a traditional stock share (e.g., MSFT); and Lange ¶ [00453] merely defines “securitization” as “[t]he process of creating new opportunities for hedging underlying events through the creation of new securities.” The cited ¶¶ [00471]-[00475], [00528], [00536], and [00453] do not describe or suggest “receiving data from an investor regarding desired risk-return values . . .” and “in response, structuring . . ., pricing . . ., and offering [a customized security to the investor]”, as required by claim 1.

None of the cited portions (or other portions) of Lange relate to applicants’ invention. Further none of the cited portions (or other portions) of Lange teach, suggest, or provide any motivation to arrive at the elements of claim 1, which include:

“receiving from an investor data regarding a desired risk-return values
and selection of at least one issuer of traded securities;

in response, structuring a customized security having at least one of said desired risk-return value and comprising a derivative security having at least one component related to said traded securities of said issuer and at least one other component;

pricing said customized security according to current market prices for

said components; and

offering said customized security to said investor.

For at least the foregoing reasons claim 1 is not obvious from and is patentable over Lange.

Claims 2-6

Dependent claims 2-6 are patentable over Lange for at least the same reasons as their parent claim 1 is patentable over Lange as discussed above.

Conclusion

Applicants respectfully submit that this application is now in condition for allowance. Reconsideration and prompt allowance of which are respectfully requested.

Applicants request that the Examiner should kindly contact the undersigned attorney by telephone for discussion in case there are any remaining issues that need to be resolved.

Respectfully submitted,

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